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# RAILWAYS

for the

# Nation

## Private or Public ?

This pamphlet discusses the record of the railways—financial and operational. It exposes the fruits of private control, and analyses the capital structure and real profits earned. The contrast is made with the wages and conditions of the railwaymen. Why should these conditions be perpetuated ? Why should charges be higher ? The case for a nationalised and co-ordinated transport system.

6<sup>D.</sup>

LABOUR RESEARCH DEPT  
45 LINCOLN'S INN FIELDS, LONDON WC2



# RAILWAYS FOR THE NATION

## I. HISTORY.

(1) The Early Days	...	...	...	...	...	...	4
(2) The Amalgamations	...	...	...	...	...	...	7
(3) Between the Two Wars—Competition and Monopoly	...						10

## II. THE RAILWAYS TO-DAY.

(1) The Railways and the Public	...	...	...	...	...	...	11
(2) The Railwaymen	...	...	...	...	...	...	16
(3) Profits	...	...	...	...	...	...	20
(4) Who Owns the Railways?	...	...	...	...	...	...	23

## III. AFTER THE WAR.

(1) The Companies' Plans	...	...	...	...	...	...	24
(2) The Labour Movement's Plans	...	...	...	...	...	...	27

"Do the men and women in the forces desire to come back to unemployment queues and miserable wages?" asked Mr. J. Benstead at the last T.U.C. He stated that he was sure they did not. He was voicing the concern of over 500,000 organised workers in the railway industry<sup>1</sup> that the future for their comrades in the forces shall give a happier and fuller life than the past.

The memories of railwaymen in the forces are of an industry in which not only were wages miserable, not only had everything—new equipment and the most elementary comforts for the workers—had to give way to the companies' profits, but for twenty years every worker had suffered from a growing burden of work and the threat of redundancy. During this war railwaymen have been handling greatly increased traffic,<sup>2</sup> and the Prime Minister himself has borne witness to their "grim determination, unwavering courage and constant resourcefulness." Are there to be security of employment and good pay and conditions for them after the war or not?

For the public, transport during the war has meant chiefly desperately over-crowded travel. This has been accepted as necessary since war needs must come first. But the public has also seen the railway companies—carrying 125 per cent.

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1 Membership of railway trade unions at December, 1943, was as follows						
A.S.L.E. & F.	...	...	...	men,	361,116	67,432
N.U.R.	...	...	...	women,	44,642	405,758
R.C.A.	...	...	...	men,	65,802	
				women,	21,842	87,644

The total number of railway workers in 1938 was 607,278.

<sup>2</sup> See the White Paper on *Statistics Relating to the War Effort of the United Kingdom*. Net ton-miles have risen about 40 per cent. compared with pre-war and the number of passenger miles by about 60 per cent.

more passengers in each train<sup>1</sup>—asking for a revision of the wartime agreement<sup>2</sup> (which gives them a revenue of £40 million—far more than their average before the war) on the ground that " strong representations were made at all the recent annual general meetings of proprietors that the present arrangements inflict a grave injustice on them." This sort of thing must raise doubts as to whether the companies' attention will be directed, after the war, to providing the cheap, efficient and freely available transport upon which very much of reconstruction will depend, or solely to the level of their profits.

Can we have improvements for the railwaymen and a better transport system after the war? If we leave it to the railway companies, no; if we bring the railways into public ownership, yes.

The justification of this statement is the whole history of the railways. That history is one, first of wild competition and the acquiring of a mass of useless capital; and then of the building up of a monopoly, a monopoly which has been broken but re-established, a monopoly which is in a privileged position, and can use its power to make the public put up with bad service and the railwaymen with bad conditions. To-day the railway companies are a very powerful factor in the national economy. They control the biggest single block of capital in the country (capital receipts of all railways in 1938 were £1,116,512,939, of which the L.M.S. owned £429 million, the L.N.E.R. £332 million, the G.W.R. nearly £170 million and the S.R. £160 million). They employed in 1938 607,278 workers. They carried 280 million tons of freight, compared with perhaps 100 million tons on the roads,<sup>4</sup> 23 million tons in coastwise shipping and 11 million tons on canals; and they have very big holdings in other forms of transport (see pp. 10-11).

Let us therefore take a look at railway history: first at the early days when the foundations of the system were laid; then at the turning point which came at the end of the last war; and finally at the full working out of monopoly policies in the years between the wars.

## I. HISTORY.

### (1) The Early Days.

Early railway building was carried on in an atmosphere of speculation and wild competition. There were two big booms in early railway construction, in 1836-7 and 1844-8. Of the first, Prof. Clapham said:

The railways were propagated blindly and wastefully like living things. . . .<sup>5</sup>  
During the second boom total mileage grew from 1,952 in 1843 to about 5,000 in 1848.<sup>6</sup>

<sup>1</sup> *Statistics Relating to the War Effort of the United Kingdom.*

<sup>2</sup> The agreement reached in August, 1941, provided for a fixed rental for the companies as follows: (£'000's)

L.M.S.	...	...	...	...	...	...	...	14,736
L.N.E.R.	...	...	...	...	...	...	...	10,148
G.W.R.	...	...	...	...	...	...	...	6,669
S.R.	...	...	...	...	...	...	...	6,607
L.P.T.B.	...	...	...	...	...	...	...	4,840
								43,000

Besides this the companies receive about £2 million of "uncontrolled" revenue, consisting of income from investments in road transport, certain interest charges, and railways in Northern Ireland and Eire. Net revenue of the four main lines in 1944 was £40.3 million.

<sup>3</sup> *Times* 1.7.44.

<sup>4</sup> Estimate of Mr. Gilbert Walker, *Road and Rail*. p. 123

<sup>5</sup> *Economic History of Modern Britain*, the Railway Age.

<sup>6</sup> Later open mileage for Britain (excluding Ireland) is given by Prof. Clapham as: 1858, 8,354; 1870, 13,562; 1886, 16,700.

One result was that a great number of competing lines were built, making the jungle of criss-cross tracks that we have to-day in areas such as Kent (where every town of any size has two or even three stations) and the unprofitable but supposedly 'strategic' lines of which we hear so much. Further, the companies were mostly small, competing with each other over territory and traffic, and of course each with its own types of equipment.

An even more serious result was that the railways were burdened with a lot of capital which could never earn anything. For one thing, most railways were involved in very heavy 'preliminary expenses' before they got the permission of Parliament to build. Some of this money was paid to lawyers, some was called 'Parliamentary costs,' in reality little more than bribes. L. Knowles describes how the first attempt to get the Liverpool and Manchester Bill through Parliament failed:

because a noble duke said it would spoil his fox covers, and it cost £70,000 to obtain Parliamentary permission to build the line. That was the outlay before a single bit of land was bought or a single sod cut!'

The preliminary 'law' expenses for certain companies were as follows:

				£ per mile.
London & Brighton Railway	...	...	...	3,000
Great Western Railway	...	...	...	1,000
S.W. & Birmingham Railway	...	...	...	650
Edinburgh and Peebles Railway	...	...	...	80 <sup>2</sup>

Secondly, enormous prices were extorted by landlords for their land, quite apart from the sort of blackmail mentioned earlier. Prices paid for land by some railways were as follows:

				£ per mile.
London & South Western Railway	...	...	...	4,000
London & Birmingham Railway	...	...	...	6,300
Great Western Railway	...	...	...	6,696
London & Brighton Railway	...	...	...	8,000 <sup>3</sup>

Land for the London & Birmingham was originally valued at £250,000 but cost three times as much.

Third, there were various 'nominal additions' to railway capital. That is to say, stock of a certain value, paying a high dividend, was exchanged for other stock of greater nominal value but paying a lower dividend (thus swelling the capital and making the profits look smaller).

And finally, a great deal of money was spent on competition itself, both between railways and between railways and canals, many of which were bought up only to be laid idle. Mr. G. H. Hardy, in a debate on the nationalisation of the railways in the House of Commons on February 11th, 1908, stated that the London, Brighton and South Coast Railway paid the South Eastern Railway £24,000 in order to persuade them not to take advantage of their running powers over the former's lines to Eastbourne. The Great Northern Railway Company agreed to hand over to the Witham Navigation Canal £10,545 for a period of 999 years on condition that it charged prohibitive rates and the £150 shares of the River Don Navigation Canal were bought up by the railways for £3,000 each.<sup>4</sup>

The result of all this was that British railways cost more to build than the railways in almost any other country. The expenditure per mile of line constructed, in various countries, was calculated by Sir J. G. Beharrell (formerly Director-General of Finance and Statistics at the Ministry of Transport), in 1921, as follows:

U.S.A.	...	...	...	...	...	...	£14,000
Germany	...	...	...	...	...	...	24,000
France	...	...	...	...	...	...	31,000
Great Britain	...	...	...	...	...	...	56,000 <sup>5</sup>

<sup>1</sup> *Industrial and Commercial Revolutions in Great Britain during the Nineteenth Century*, p. 255.

<sup>2</sup> W. Cunningham, *Should our Railways be Nationalised?*

<sup>3</sup> Knowles, work already quoted, p. 257.

<sup>4</sup> Cunningham, work already quoted.

<sup>5</sup> Quoted by H. C. Kidd, *A New Era for British Railways*, p. 94.

## The Railwaymen.

The railwaymen, in those early years, were suffering from worse conditions, and fewer trade union rights, than workers in most other industries. They had to conduct a fight against inhumanly long hours, low pay, and the companies' stubborn refusal of recognition. The engineers won a nine-hour day in 1871, but in 1892, when a Select Committee of the House of Commons was set up to enquire into the hours worked by railwaymen, they found :

... instances of drivers on duty during periods ranging from three to seven weeks, in September, October and November, 1891, of 26 hours 50 minutes, 29 hours 10 minutes, ... and instances of duty of 47 hours 40 minutes, with only 20 minutes' rest between the two turns of duty of 23 hours 40 minutes and 24 hours. . . .<sup>1</sup>

They also reported the case of a man who was killed while fog-signalling on the Brighton line. He was 60 years old and had been on duty for 23½ hours out of 30 in dense fog and bitterly cold weather.

Two directors and the General Manager of the Cambrian Railway were later summoned to the Bar of the House for dismissing a stationmaster merely for giving evidence before this committee.

As late as 1907 men were still working 18 to 24 hours a day, 16,000 men were receiving no payment for overtime and 103,700 only received ordinary time rates.<sup>2</sup>

Railway trade unionism when it started in the 60's was treated as almost illegal. Men had their clothes searched for union documents and went to their branch meetings by back ways and over garden walls. It was no accident that two of the biggest fights over trade union rights in the years before the last war were fought out primarily by railwaymen. The strike on the Taff Vale Railway in 1900 led to the judgment of 1902 making trade unions responsible for any damage caused to an employer by a strike. The judgment cost the Amalgamated Society of Railway Servants over £41,000 and its reversal by the Trade Disputes Act of 1906 established a very important principle. Another important principle, the right to use trade union funds for the support of a political candidate, was denied by the Osborne Judgment of 1910, which also concerned the A.S.R.S., and was only finally reversed by the Trade Union Act of 1913.

## Recognition.

Recognition of the railway unions was refused for years. What that meant in practice, the older generation of railwaymen remember well enough. A man brought up on a disciplinary charge had no representative of his union to help him; even a union organiser wishing to interview the officials might be kept on the mat while his men were called inside to be lectured, as happened to J. Holmes after the Taff Vale strike. Companies frequently refused to accept correspondence from union branches.

In 1906, when the first big all-grades movement demanded an eight-hour day for all engaged in the manipulation of traffic, a ten-hour day for all other railwaymen, improvements in pay, and recognition, Sir Ernest Paget, of the Midland, reported to the annual general meeting of his shareholders :

The directors had persistently declined to allow any of their men to make representations as to grievances to be accompanied by anyone outside the company's own staff. The directors believed the men were adequately paid, and worked under conditions that compared favourably with those of other industrial concerns.<sup>3</sup>

The 1907 conciliation scheme (in fact) made no provision for the inclusion of union representatives at any stage, and it was only after the great strike of 1911 that any advance was made in this direction.

<sup>1</sup> Cole and Arnot, *Trade Unionism on the Railways*.

<sup>2</sup> J. T. Walton Newbold, *The Railways 1825-1925*, p. 87.

<sup>3</sup> G. W. Alcock, *Fifty Years of Railway Trade Unionism*, p. 377.

The reason for the success of that strike was clearly put by A. Bellamy, President of the Amalgamated Society of Railway Servants :

For the first time in history the four railway trade unions had promoted a united front. In the midst of a national crisis each organisation, sinking petty differences and personal jealousies, had joined with others in a common cause.<sup>1</sup>

In the 1911 scheme the secretaries of the men's sides of the sectional conciliation boards were for the first time allowed to be union officials. This was still not recognition, however. Full recognition was not won till 1919.

## (2) *The Amalgamations.*

By the end of the first world war the railwaymen were stronger and more united than ever before. Already in 1913 the N.U.R. had been formed out of three older unions—the Amalgamated Society of Railway Servants, the General Railway Workers' Union and the United Signalmen's and Pointsman's Society. In 1919 considerable progress was made with reducing the number of grades—the division which lay behind all other divisions among railwaymen.

95 grades in one section of platform staff were reduced to 2, 201 grades in another section to 16, 89 grades of shunters to 2, 26 grades of signalmen to 6, and 512 grades were wiped out.<sup>2</sup>

Two big issues were coming up : first, standardisation of wages and conditions between the various companies—a standardisation, it was clearly understood, which was to be on the basis of the best conditions not the worst, and which was to take into account the wartime rise in prices ; and second, recognition.

On January 30th, 1919, a national agreement for an eight-hour day was signed. This was an immense step forward and one to which the companies found it hard to reconcile themselves.<sup>3</sup>

## *The 1919 Strike.*

The question of pay was not settled peacefully, and led, in fact, to the first complete, national railway strike. The strike was quite deliberately provoked by the Government, which also had a hand in its strategy, since the famous 'definitive' offer to the N.U.R.—an offer involving heavy cuts and a minimum wage of 40s.—was made by Sir Auckland Geddes, the President of the Board of Trade, a month after the locomen's demands had been met in full. The splitting attempt was defeated by the historic wire from A.S.L.E. & F. headquarters : "Executive decided to support N.U.R. Our men must strike to-night at midnight." The strike was won, and the N.U.R. men got full reinstatement and a minimum wage of 51s. as long as the cost of living should be not less than 110 per cent. above pre-war. The good feeling between the unions which resulted was reflected in the fraternal visit of the President and General Secretary of the N.U.R. to the 1920 A.G.M. of the Associated Society and in the agreement for joint action on locomen's issues which was signed in the same year.

The 1919 strike was followed shortly afterwards by the setting up of the National Wages Board and the Central Wages Board. This meant that full recognition was won at last. The Central Wages Board had 5 representatives of the railwaymen (3 from the N.U.R. and 2 from the A.S.L.E. & F.) and 5 from the companies. The N.W.B. had 4 representatives of railwaymen and 4 of railway users.

The old pre-1914 status and pre-1914 wages of railwaymen were ended.

<sup>1</sup> Alcock, p. 430.

<sup>2</sup> Alcock, p. 556.

<sup>3</sup> In 1936, when resisting the unions' demand for the restoration of cuts (see pp. 17-18, the companies stated that "no other industry is working under conditions of service so restrictive of the proper use of the time for which payment has to be made as is the Railway Industry in respect of three of the railway conditions taken in conjunction, namely, the Guaranteed Week, Guaranteed Day, and Daily Basis for Overtime." (R.S.N.T. Decision No. 1.)

## What Next for the Companies?

The companies, for their part, after the last war, had, first, an apparently watertight monopoly. We have spoken earlier of their buying up of canals. By 1905 they owned 39 per cent. of the canal mileage. Second, they had a heavy burden of non-earning capital. Third, they were in many ways chaotic and unsuited to a modern industrial country. There were some 120 companies each with their own types of equipment and rolling stock and to some extent even yet their own scale of charges since the Acts of 1891-2,<sup>1</sup> which for the first time fixed almost uniform maximum rates and charges for nearly all the lines, still contained certain exceptions quite apart from the many 'exceptional rates,' below the maximum, which each company allowed.

During the war the railways had been under Government control. It was evident to almost everyone that they could not go back entirely to their old state. What steps should the Government take?

The only real solution, clearly, was nationalisation. This would reduce the burden of capital, it would ensure not only a co-ordinated railway system, but progressive system, which could be developed to suit the nation's needs. There was a very strong demand for this solution among railwaymen at the time, and a trade union deputation which went to see Mr. Lloyd George even extracted from him a statement that he was in sympathy with the general character of the proposals, and that:

The credit of the state would enable them to pay lower interest for borrowed capital, to pay better wages to railway workers and to provide better facilities to the travelling and the trading public.<sup>2</sup>

The famous announcement of Mr. Winston Churchill at Dundee on December 4th, 1918, in reply to a heckler, that the Government had decided to nationalise the railways,<sup>3</sup> is also evidence of the pressure that existed.

In April, 1921, the Labour Party introduced a Bill into Parliament to nationalise the railways, paying for them the pre-war market value less 30 per cent. for depreciation.

But the Government, and the capitalists generally, had no intention of agreeing to a measure which, while it would produce a more efficient railway system, would also strengthen the position of the workers in the country. Even the Government's proposal to give the railwaymen representation on the boards of management was dropped from the Bill. An outraged G.W.R. shareholder had declared of this proposal:

There is every indication that the coalition Government, after coquettling with the Soviets of Russia, have coalesced with the Syndicalists in England.<sup>4</sup>

## The Railways Act, 1921.

The policy which the Government did adopt was amalgamation into private monopoly combines. By the Railways Act of 1921 the 120 separate companies were amalgamated into the four main lines that we have to-day. Further, the Minister of Transport was given power to require the companies to "conform gradually to measures of standardisation of ways, plant and equipment and to adopt schemes for co-operative working or common user of rolling stock, workshops, manufacturing plants, and other equipment"—though all these powers were hedged round with the proviso that the Railway and Canal Commission<sup>5</sup> must be satisfied that the interests of the shareholders were not threatened.

These measures gave the country a unified railway system. It was hoped that they would also result in economies, part of which were to be passed on to the users. The Minister of Transport said that some estimates put the possible savings at

<sup>1</sup> Railway Rates and Charges Order Confirmation Acts.

<sup>2</sup> H. C. Kidd, *A New Era for British Railways*, p. 130.

<sup>3</sup> H. C. Kidd, work already quoted. <sup>4</sup> Same source, p. 21.

<sup>5</sup> First set up under the Railway and Canal Traffic Act of 1873 to hear complaints about railway charges. Some of its functions were transferred to the Railway Rates Tribunal in 1921. There are to-day two commissioners appointed by the Home Secretary and three ex-officio members who are judges.

£40 million per year ; he himself put it at £25 million. Over £100 million of nominal additions to capital was squeezed out in the amalgamations, but this still left £44 million. And the Government failed to carry their original proposals for acquiring some degree of control over the efficiency and the finances of the railways, by providing for the return to the Government of a share of revenues in excess of whatever standard was fixed, to be used as a development fund, and for Government supervision over the raising and spending of railway capital.

The Railways Act also laid down the method by which charges were to be fixed. A new classification of railway freight traffic was worked out by the Rates Advisory Committee appointed for the purpose by the Minister of Transport. This was more elaborate than the old classification ; there were 21 classes (excluding coal), and for each class a standard rate per ton-mile (tapering downwards for the longer distances) was fixed by the Railway Rates Tribunal.<sup>1</sup> The classification and the standard charges were based partly on the cost of carrying the commodity, but mainly on its value<sup>2</sup> (the principle of charging " what the traffic will bear "). Thus the two highest classes include such articles as gold leaf, telescopes and cigars. During their Square Deal campaign the railway companies made great play with the very complicated nature of the classification by which they were bound, but the essential point is that a classification of this sort, based largely on the value of the goods to be carried, depended entirely on the maintenance of the railways' monopoly of transport. Once that monopoly was broken it was clearly possible (and as we shall see this did in fact happen later) that much of the more valuable traffic, which was highly rated but not necessarily difficult to carry, would be diverted to another form of transport.

It was hoped in 1921 that the more elaborate classification would reduce the necessity for 'exceptional rates,' but these were still allowed, with certain limitations. Any rates of more than 40 per cent. below the standard had to be submitted to the Railway Rates Tribunal ; all exceptional rates had to be published ; and " undue preference " was forbidden—that is to say, any trader who could prove to the Railway Rates Tribunal that he was in the same position as another trader for whom an exceptional rate had been quoted, could claim to have that rate applied to his traffic also. The hope that exceptional rates would decrease was also doomed to disappointment.

### *The "Standard Revenue."*

Finally, the Railways Act laid down the 'standard revenue'—that is to say, the net revenue which the companies were to be allowed to earn in the post-war years. This was defined as the 1913 net revenue, plus 5 per cent. on capital invested since 1913, plus 5 per cent. on capital which had not reached its full earning power in 1913, plus one-third of the economies resulting from amalgamation—in all about £51 million.

It was with a view to earning this revenue that the companies' charges were to be fixed.<sup>3</sup>

Now 1913 had been an exceptionally prosperous year for the railways—and a year in which 100,000 railwaymen were earning 20s. a week or less, and big wage claims were pending. Quite apart from any possible future development of competing forms of transport, therefore, the railway companies were set as their target a figure even above the revenue which had only been reached, in a year of exceptionally prosperous trade, by gross exploitation of the workers.

There were three assumptions behind the policy of amalgamation and the standard revenue with which the Government launched the railways on their post-war career. First, that the existing monopoly would remain unbroken—that no

<sup>1</sup> Set up under the Railways Act, 1921. Has a president (usually a lawyer) and two permanent members, one representing railways and one commercial interests. Its main duty is to fix rates and charges at a level which will, with other sources of revenue, so far as practicable, yield with efficient working and management, the Standard Revenue. It reviews the results of each year's working and has uniformly reported that the railways are run efficiently and economically. It also hears complaints about undue preference.

<sup>2</sup> "Value is . . . the main agent in determining the position of a commodity in the General Railway Classification." Bonavia, *Economics of Transport*, p. 132.

<sup>3</sup> The new charges and new classification of goods did not start to operate till 1928.

competing form of transport would break into the railways' preserve. Second, that the 1913 level of revenue could somehow be reached, although the 1913 level of wages and conditions had been left behind. And third, that the hoped-for economies would be achieved, without any Government control.

### (3) Between the two Wars. Competition and Monopoly.

The first thing that happened after the amalgamations was that the railways' monopoly was broken by the rapid growth of road transport. The companies, however, did not, except in minor matters, meet this competition by improving their services. Instead, from 1928 onwards, they set about re-establishing their monopoly—a task in which they have very largely succeeded. These years saw, therefore, the full working out of monopoly policies, while the old anarchy of the competitive days still existed alongside. A restriction of services to the public, while co-ordination was never achieved; intensification of work and redundancy among railwaymen, without ever approaching the comparatively high wages which monopoly has sometimes felt able to afford in other industries. The worst aspects of monopoly and competition have marked the railway industry. The companies became more powerful in these years than ever before, until to-day the railway directors are some of the biggest capitalists in this country.

Road competition developed both for passenger and for freight traffic. It was stated that between 1923 and 1926 the L.M.S. lost 15 million passengers and the L.N.E.R. 39 million. Commercial road transport increased rapidly as the Government disposed of its lorries to the men who has returned from the Army. By 1936, according to the estimate of Mr. Gilbert Walker,<sup>1</sup> 100 million tons of freight a year were being carried by road (compared with about 280 million tons by rail), and of this half, he calculated, had been taken from the railways.

### Railways "on the Roads."

The railways' counter-offensive began in 1928 when they got Parliamentary sanction to go into road transport themselves. They quickly acquired a considerable interest in bus companies; their investments in this were over £10 million in 1938 and they control, alone or with one other company (in almost every case Tilling's, B.E.T. or one of their subsidiaries) 31 bus companies owning 14,253 vehicles. These companies include many of the best-known lines in the country—the Birmingham and Midland Motor Omnibus Co., the Western National Omnibus Co., Scottish Motor Traction Co., United Automobile Services, Ltd., Ribble Motor Services, Ltd., Eastern National Omnibus Co., East Kent Road Car Co., etc.

It was far more difficult for the companies to acquire any great measure of control over the haulage industry, because of the very large number of small owners. There were in 1938 some 60,000 hauliers with an average of 2½ vehicles apiece. There has, however, been some railway penetration here, too. Two of the biggest firms in the country, Hay's Wharf Cartage Co. (with its subsidiary Carter Paterson), and Pickford's, are railway owned, and the railways also have an interest in a number of other firms—Joseph Nall & Co., Currie & Co. (Newcastle), Wordie & Co.,

Railway control over other forms of transport, too, is to-day considerable. Their share of canal mileage is now about 40 per cent., and their strategic position is very strong, since they own many of the stretches without which canal amalgamations and improvements are impossible.

### And "in the Air."

Over the newest form of transport—air transport—the railways have almost complete control so far as internal services are concerned. The railway-owned lines, Railway Air Services, Ltd., operated about 80 per cent. of the inland route mileage before 1939, and the companies are now (March, 1945) proposing to go into European air services also.

In 1938 the railways had some £72 million invested in docks and harbours, which brought in net receipts of £602,000. They owned some 50 harbours in 1930, which included Barrow, Fleetwood, Garston, Grangemouth and Heysham (L.M.S.);

<sup>1</sup> *Road and Rail*, p. 16.

Grimsby, Harwich, Hull, Immingham (L.N.E.R.); Barry, Fishguard, Newport, Swansea, and Bute Docks, Cardiff (G.W.R.); Folkestone, Newhaven and Southampton (S.R.).

Even in coastwise shipping the railways have a certain interest, as besides the ships directly owned by the railways (their investment in these in 1938 was £9 million) they also have an interest in some of the larger coasting companies such as David MacBrayne & Co.

The railway companies to-day are far from being railway companies pure and simple. They are one of the biggest holders in every other form of transport—they are the centre of our whole transport system.

In addition, the main-line companies are big landlords with a rent-roll of £3,467,000 in 1938. They own some 23,000 acres of agricultural land and 10,000 acres in towns and suburbs. They own some 50,000 houses, of which 27,000 are occupied by railway employees. They have £9,796,000 invested in hotels and make an annual net revenue of £522,000 from hotels, refreshment rooms and dining cars, which makes them one of the biggest catering interests in the country.

The first assumption of the Government in 1921, therefore, that the railways' monopoly would remain, was both true and false. The monopoly was broken, but it has been largely re-established. We shall see that in the course of the struggle to re-establish it, both improvements for the public and railwaymen's standards have gone by the board; that though the standard revenue has not been earned the companies have still made a handsome profit; and that the prospects for after the war, if the companies have their way, is a complete private monopoly, with all that that means to railwaymen and the public.

## II. THE RAILWAYS TO-DAY.

### (I) *The Railways and the Public.*

In spite of their claim that the railways, at the outbreak of war in 1939, were "an energetic, efficient and superbly maintained transport weapon,"<sup>1</sup> the companies' service to the public has in fact been marked by anarchy in the national transport system alongside restriction of facilities, a level of charges higher than almost anywhere else in the world, and failure to match the high standards of early construction with the adoption of more recent technical developments.

#### *Anarchy.*

The struggle between the railways and the roads has produced an irrational and uneconomic use of the transport facilities available.

Owing to the form of the General Railway Classification,<sup>2</sup> road hauliers took from the railways a great deal of the more profitable 'general merchandise' traffic, for which they could afford to charge less than the railway rates, and left the railways with the less profitable coal and minerals. The hauliers were also able, because they were not, like the railways, forbidden to offer discounts, to take many of the heavier loads for the longer distances, so that in some cases the ridiculous position was reached that the heavy long-distance traffic was going by road while local deliveries of parcels and 'smalls' were being made by rail.

The railways hit back by offering an increased number of exceptional rates.<sup>3</sup> As early as 1935 83.7 per cent. of all railway rates were exceptional, and the power of the companies to grant or withhold such rates gave them a very big influence on the siting of particular factories and industries. The effect of this was to undermine the old system of 'tapering rates,' under which the rate per ton-mile was reduced as the distance over which the goods were conveyed increased. Thus the older industrial areas like Scotland, the North of England and South Wales were handicapped and the drift of industry to London was encouraged.<sup>4</sup>

<sup>1</sup> *Financial News*, 23.12.43.

<sup>2</sup> See p. 9.

<sup>3</sup> See p. 9.

<sup>4</sup> Royal Commission on the Distribution of the Industrial Population, Report, 1940, p. 45.

In their Square Deal campaign before this war the railways demanded to be freed from all the restrictions which hampered them in competition with the roads—they wanted to be free to offer any rate for any traffic to any customer without being compelled to publish such rates.

This is one side of the solution offered by private enterprise to the anarchy in our transport system—a further dose of that very competition which has produced the anarchy. As the E.C. of the Labour Party points out, during the war the Government has had to act on a quite different system and allocate the traffic according to what each section of transport was best equipped to do.<sup>1</sup>

## Restriction.

A rate-cutting war, however, has never been more than a short-term policy for the railways. At the annual general meetings last year the companies were saying that the Square Deal programme was "only intended as a stop-gap," and the main drive now is clearly for a deal with the big hauliers and an agreement on rates. In other words, all freight rates are to be kept up to suit the railway companies.

This restriction policy is not new. From the very beginning the railway companies offered a tooth-and-nail opposition to the issue of new hauliers' licences. The result of this was that in country districts where the hauliers might have operated, the public has had to put up with slow trains. A correspondent in the *Times* wrote in 1942:

Traffic from Burford to Taunton is put on rail at Shipton, five miles away, whence it goes through Oxford and Didcot to Swindon, some 62 miles. Even a through wagon takes over 20 hours, although by road Burford is but 18 miles from Swindon.<sup>2</sup>

Bus fares have also been kept up in the railway companies' interest. In 1931 the Royal Commission on Transport reported:

... we venture to suggest that a general revision and lowering of fares by the railway companies would do far more towards the recovery and restoration of their passenger traffic than the methods adopted by them at present.<sup>3</sup>

But already in 1930, in the Road Traffic Act, it had been laid down that one of the conditions of licence of a bus company should be the fixing of fares so as "to prevent wasteful competition with other forms of transport"; that is, as the *Economist* remarked then: "to put up... fares to such an extent as to drive people back to the trams or the railways."<sup>4</sup> The broad result has been as might be expected. Bus fares have remained high, and the railways have ceased to lose passengers.<sup>5</sup>

The railways' strangling of the canals has been referred to earlier, but it is worth seeing what the results of this have been. A transport expert has said the canal can be "almost an ideal highway for heavy goods transport. It has every qualification except speed."<sup>6</sup> Yet during the war, with all the pressure on transport, it has only been possible to carry on our canals something over 11 million tons a year as compared with over 34 million tons in 1905.<sup>7</sup> Canal traffic is only 4 per cent. of rail traffic whereas in France in 1932 it was one-sixth.<sup>8</sup> The reason for the difference is clear. British canals will only take, over most of the distance, a barge of 30 tons, many of them have not been strengthened for mechanical traction and the horse is still the main means of haulage on many sections; whereas in northern France, for instance, barges are usually of 200 or 300 tons and hauled by electric power. And the reason our canals have not been improved is that on almost every route different stretches belong to different owners; and the main obstacle to amalgamations, as the Royal Commission on Transport reported in 1931, has been the railway companies.

<sup>1</sup> *Post-War Organisation of British Transport*, p. 3.

<sup>2</sup> 3.1.42.

<sup>3</sup> *Final Report*, p. 40.

<sup>4</sup> 10.5.30.

<sup>5</sup> "... as reductions in fares have been discouraged and operating costs have fallen, existing operators have benefited considerably, while the railways have ceased to lose passenger traffic to public road transport." *Economist*, 16.5.36.

<sup>6</sup> M. R. Bonavia, *The Economics of Transport*, p. 31.

<sup>7</sup> Mr. Noel Baker stated in the House of Commons, 5.5.44, that canals were carrying "almost as big a tonnage as before the war." The tonnage carried by canal in 1938 was 11.8 million.

<sup>8</sup> L. P. Alvin, *Mechanical Traction on the French Waterways*, 1936, p. 19.

The same monopoly restrictions apply to railway-owned docks. The Transport and General Workers' Union, represented by Mr. Ernest Bevin, put up a strong case to the Royal Commission on Transport of 1930 that railway companies should not be dock owners, because they tended to plan their docks in relation solely to their own interest and not for the advantage of trade and transport generally and the port as a whole. Support for the view that the railways were exploiting their position came, significantly, from the Federation of British Industries, who said instances could be cited of docks where "preference is given to railway-owned vehicles, where there is an absence of road access to railway-owned docks, and where a charge is imposed on road vehicles entering the dock area." Indeed so strong was the case that the Royal Commission agreed that in principle it was undesirable that the railways should be dock-owners and that the best kind of authority to own harbours was a trust like the Port of London Authority; but this was never acted upon.

A notorious example of the way in which the railway monopoly has acted to restrict other forms of transport is the steady opposition of the G.W.R. to the project for a road bridge over the Severn, which would be one of the main steps to restore prosperity to South Wales. The official Welsh Reconstruction Advisory Council in its latest report (1944) declares that this "would be 'the greatest single contribution to . . . transport facilities in South Wales.'" It would reduce road mileage between Cardiff and Bristol from 90 to 28 and the time taken to one-third, and would thus greatly assist South Wales in developing light industry. For the last decade the widest interests in the area have been pressing for this measure (in 1936 it was reported that 93 authorities in South Wales and the West of England were in favour).

The important exception is that of the Great Western Railway Company. It was admittedly much relieved when the Private Bill of 1936 was dropped. It is not unfair to say that the argument of the railway company completely failed to appreciate the problem in all its bearings, and was largely vitiated by the fact that it assumed that the traffic which used the Bridge would be diverted from the Railway—the crude 'lump of traffic' fallacy. The essential point is that the integration of the Western Region would lead to a substantial increase in the total volume of traffic.<sup>1</sup>

The Council showed that the company's attitude would definitely handicap the growth of light industry in South Wales after the war. But the Chairman of the G.W.R., at last year's annual general meeting of the company, stuck to the old line of argument. He admitted that the Government attached great importance to the project "on the ground of its great economic importance to South Wales" but complained that:

it would completely nullify the benefit of the arrangement sanctioned by Parliament under the Severn Tunnel Act of 1872 . . . [allowing the company to base its charges on 12 miles instead of 4½]. To meet this new competition we should have to reduce railway charges over a very wide area, and the protection given to us by Parliament would thus become valueless.<sup>2</sup>

The railways' expenditure on the tunnel should, as the *Economist* pointed out,<sup>3</sup> have been paid back long ago.

This case shows very clearly what a formidable obstacle a private transport monopoly would be to the replanning of Britain. Not only South Wales, but West Cumberland and Scotland need fuller road transport facilities. The Forth Road Bridge, the building of a direct road to connect Barrow and West Cumberland with the main Lancashire industrial area, must not continue to be held up to suit the interests of railway monopoly.

## Town Planning.

Just as the companies have restricted other forms of transport, so they are hampering town planning. For example, the authors of the County of London Plan for the reconstruction of the capital after the war, made a number of comments about the railways—particularly about the amount of land taken up near the centre

<sup>1</sup> Welsh Reconstruction Advisory Council, Interim Report, 1944, p. 74.

<sup>2</sup> *Financial News*, 9.3.44.

<sup>3</sup> 18.3.44.

of the City by railway property, and the smoke and noise caused by steam trains. They suggested the removal of viaducts and the electrification of all main lines leading into London so that some of the termini could be put under ground. They also gave it as their opinion that a considerable area of land could be freed for development if the standards of railway efficiency could be raised, and added :

A conservative estimate of the acreage of railway property within the County boundary is 3,350 acres, i.e., nearly half the total area of public open space.<sup>1</sup>

The reception given to these suggestions at the 1944 A.G.M.s of the railway shareholders was hardly encouraging. The chairman of the L.N.E.R. said :

... there appears to be in many quarters a tendency to assume that railway stations and goods yards can be picked up and repositioned almost at will. I cannot believe that after the war this country is going to find itself in the fortunate position of having unlimited sums of money available for the translating into reality of all the architectural visions with which our senses are being titillated at the present time, and so far as this company is concerned a careful watch is being maintained to ensure a proper balance between what may appear desirable and what is really practicable.<sup>2</sup>

And the chairman of the S.R. :

The proposals concerning the Southern Railway are far-reaching in extent and drastic in character; they involve the interment underground of the large and intricate portion of your system which is in the Inner London area. This conception, even if practicable, would involve great engineering difficulties and an astronomic expenditure.<sup>3</sup>

## Railway Charges.

So much for the effect of the railways on other forms of transport and on the amenities of our towns. What of the service offered by the railways themselves? The first point about this is that it is a very expensive service. It is not merely more expensive than road transport for many classes of goods, it is more expensive than rail transport in most other parts of the world. In 1921 Sir Eric Geddes, Minister of Transport and an ex-railway director, said : " You will find—I think there is but one exception, perhaps China—that for moving freight we are the most costly country to the user of railways."<sup>4</sup> To-day the position seems to be much the same. Mr. Colin Clark, the well-known statistician, in a book published in 1940,<sup>5</sup> gives figures of the real transport charges (i.e., excluding differences in wage rates) in a number of countries :

						Charge per 1,000 ton-kilometres.
Germany, 1935	...	...	...	...	...	100
U.S.A. 1935	...	...	...	...	...	24
Great Britain 1935	...	...	...	...	...	120
France 1934	...	...	...	...	...	109
Italy 1933-4	...	...	...	...	...	158
Belgium 1935	...	...	...	...	...	115
Australia 1934-5	...	...	...	...	...	81
New Zealand 1934-5	...	...	...	...	...	127
Denmark 1934-5	...	...	...	...	...	74
Sweden 1934	...	...	...	...	...	64

It will be seen that real charges are 5 times as high in Britain as in the U.S.A., 20 per cent. higher than in Germany, and nearly double the charges in Sweden. As Mr. Clark points out : " the inefficient, or only moderately efficient systems of transport which prevail in certain countries have a depressing effect upon real national income." The Balfour Committee on Industry and Trade reported<sup>6</sup> that in 1925 rail charges accounted for about 30 per cent. of the market price of pig iron,

<sup>1</sup> *County of London Plan*, p.66.

<sup>2</sup> *Financial News*, 4.3.44.

<sup>4</sup> H. C. Kidd, *A New Era for British Railways*.

<sup>3</sup> Same paper, 10.3.44.

<sup>5</sup> *Conditions of Economic Progress*, p. 321.

<sup>6</sup> *Factors in Industrial and Commercial Efficiency*, p. 64.

and a correspondent in the *Times*<sup>1</sup> stated recently that of a selling price of 46/11 $\frac{1}{4}$  per ton for coal, 12/3 $\frac{1}{4}$  or more than 25 per cent. represents transport costs between the pit and the merchant's depot alone. The importance of this for reconstruction after the war is obvious. As the *Financial News* remarked :

There can be no health in our home or export industries after the war if transport costs are high. There can be neither social security nor full employment nor a decent standard of living if the distribution of raw materials and finished goods is made too heavy a charge on industrial costs.<sup>2</sup>

## Technical Backwardness.

We have said that in the years between the wars the railways did not keep up with modern technical developments. Take the question of speed. The average speed of British trains, in spite of all the 60-mile-an-hour expresses (and the promise of 80-mile-an-hour expresses) is slow. The Royal Commission on Transport in 1930 drew attention to the fact that the railways had "lost passenger traffic by failing to make full use of their capacity for speed."<sup>3</sup> It is certainly remarkable that there has been practically no improvement in locomotive speed in this country during the last 80 years.<sup>4</sup> In a recent publication<sup>4</sup> the companies claim that standards of speed, in passenger travel at least, have "become progressively higher and higher." The actual figures for train and engine miles per hour for steam and for all traction, in 1921 and 1938, were as follows :

	Coaching.				Freight.			
	Train.	Engine.	Train.	Engine.	Train.	Engine.	Train.	Engine.
1921 steam ...	... 13.01	9.71	8.81	3.41				
.. all traction ...	... 13.24	10.22	8.81	3.41				
1938 steam ...	... 14.47	11.00	9.15	3.71				
.. all traction ...	... 15.08	11.87	9.15	3.70 <sup>5</sup>				

In other words, in 17 years the speed of steam passenger trains has increased 1.46 miles an hour and all passenger traction 1.84 miles an hour. Since the Royal Commission report the increase, up to 1938, has been only .49 miles an hour for passenger trains and .32 miles for freight trains, and the Commission's judgment must still stand.

There are a number of other matters in which the companies have fallen behind: the small size of British wagons (12 tons standard compared with 20, 40 and even 60 tons abroad) ; the limited use of containers in which goods can be transferred from wagon body to lorry without handling (only 15,000 out of a total of 663,580 railway-owned wagons, whereas in the U.S.A. it was claimed in 1934 that containers had helped to win back for the railways a great part of the traffic lost to the roads)<sup>6</sup> ; and the only partial use of safety devices such as automatic coupling, are instances. Automatic coupling, it may be noted, does much to reduce accidents to shunters and was made standard practice in the U.S.A. in 1893. Out of 3,105 movement accidents on British railways in 1937, 1,541 were shunting accidents. But automatic coupling is still not standard practice in Britain.

## Electrification.

Perhaps the biggest example of technical backwardness, however, is the slow progress made with electrification. A general electrification of British railways was recommended by the Weir Committee<sup>7</sup> in 1931. The advantages of electrification are that it increases speed (the Weir Committee reckoned on a saving of  $\frac{1}{4}$  hour on a steam freight journey of 3 $\frac{1}{2}$  hours) ; reduces the headway between trains (a point which is very important in the rush-hour traffic) ; releases valuable land for rebuilding by making it possible to put some lines underground ; and decreases dirt and noise. A general electrification of the railways would also make much easier the extension of light and power to rural areas. Its value for suburban lines at any rate is unquestioned.

<sup>1</sup> 13.7.44.

<sup>2</sup> 10.3.44.

<sup>3</sup> Final Report, pp. 37-8.

<sup>4</sup> *British Railways in Peace and War.*

<sup>5</sup> Railway Returns.

<sup>6</sup> *The Container*, International Container Bureau, Jan., 1934, p. 27.

<sup>7</sup> The Departmental Committee set up to Enquire into the Possibility of Electrification of the Railway System of Great Britain. Appointed by the Minister of Transport in 1929. The chairman was Lord Weir and the other members Sir W. McLintock and Sir R. Wedgwood.

It is true that electrification means, mile for mile, a reduction in the number of engine crews, but it is also true that it increases traffic, and therefore jobs (this has been the universal experience abroad) and that the carrying out of any large scheme of electrification would itself provide a considerable amount of work.<sup>1</sup>

In spite of all these advantages the railway companies have not made much progress, even with the aid of Government-raised money. Besides the £27 million raised by the Railway Finance Corporation<sup>2</sup> with a Government guarantee the G.W.R. has had £1½ million and the L.N.E.R. £8 million raised for it by the London Electric Transport Finance Corporation, also with a Government guarantee. Yet the L.N.E.R. suburban lines stand in crying need of electrification to-day. Total electrified route miles in 1921 and 1938 were:

	S.R.	G.W.R.	L.M.S.	L.N.E.R.	L.P.T.B.	Others.	Total.	
1921	...	87	8	97	56	96	14	358
1938	...	622	8	124	51	125	37	966

Two-thirds of all the electrified route miles to-day are on the Southern Railway. Only 4.79 per cent. of the total route mileage has been electrified. In their latest statement of post-war plans the companies only promise "the completion of electrification works stopped by the war"<sup>3</sup> and they have explained that "in the past, the natural lack of consideration of transport requirements as a whole, and the undue risk incurred in expending large capital sums on fixed plant have been the chief obstacles to electrification developments."<sup>4</sup> No doubt the same factors would continue to hold up even the urgently needed electrification of suburban lines round our great cities in the future.

To sum up, the expectation of the Government in 1921 that the amalgamations would lead to big improvements and economies which would be passed on to the public, has not been fulfilled. On the contrary, our railway service to-day is slow, expensive, technically not far advanced, and above all the grip of the railway companies on other forms of transport means that the whole transport system is run largely to suit private railway interests and not in the interests of the nation. The failure to nationalise the railways in 1921 has brought a bad harvest.

## (2) *The Railwaymen.*

If the public have suffered at the hands of the railway companies in the years since the last war, the railway workers have suffered far more. Mr. Ashley Brown, a member of the Railway Reform League (an offspring of the slump years and the criticisms levelled at the railway companies by the Royal Commission on Transport) wrote, in a book which had a foreword by Sir Arthur Griffith-Boscawen, chairman of the Royal Commission on Transport:

Receipts went down and expenses went up. Something had to be done and the railways, to their credit, did it with a will. These great companies, which for fifty years had found it almost impossible to produce a solitary new method of earning money, now discovered every week a new half-dozen methods of saving it. There commenced an extraordinary competition in which economies took the place of earnings. The most popular Chairman was the Chairman who could convince an annual general meeting that he had discovered more unnecessary expenditure on his own railway than had been found on any other.<sup>5</sup>

It has only to be added that these economies were almost all at the expense of the railwaymen and we have a very accurate picture of the slump years.

Restriction in service to the public had, as the other side of the medal, restriction in both the numbers and the pay and conditions of the railwaymen, and it became evident that even the fantastic attempt to get back to the 1913 level was not more than the companies were prepared to fight for.

<sup>1</sup> The Weir Committee estimated that a general electrification of British railways would directly employ 60,000 men for 20 years. <sup>2</sup> See p. 22.

<sup>3</sup> *Financial News*, 29.12.44.

<sup>4</sup> *British Railways in Peace and War*, pp. 67-8.

<sup>5</sup> *The Railway Problem*, pp. 94-5.

## Redundancy

The economies led to a drastic contraction in the total number employed on the railways. Between 1925 and 1938 the number of railwaymen fell from about 702,000 to 607,000. In the worst years, between 1924 and 1933, 134,273 railwaymen, or 19 per cent. of the whole labour force, was lost. Almost every grade was affected. Between 1929 and 1933 the number of engine drivers fell from 37,129 to 32,171 and of firemen from 34,736 to 29,832; but in those same years the number of engine-cleaners rose from 6,851 to 10,322—a measure of the de-grading that was going on. Almost the only grades in which the numbers have increased steadily since 1925 have been the hybrids—porter guards increased from 511 to 557 and porter signalmen from 1,723 to 2,125.

Even to-day there is still only a very remote prospect of promotion for men who have spent their lives in the companies' service. Thousands of firemen to-day never get a chance of promotion until they are too old to pass the eyesight test. At every conference there are stories of this stagnation—of shunters and guards who have been 30 years on the job and got only a very small distance up the ladder.

Along with this went a great intensification of the work of the individual railwayman. Between 1924 and 1937 the ton-miles of traffic dropped only by 3.5 per cent. but the number of workers employed was cut by 14.4 per cent., so that the volume of work done per worker was some 13 per cent. higher in 1937 than in 1924.

What did this mean to the working railwayman? It was not achieved, in the main, by technical improvements which would lighten the work (goods and rails, for example, were still moved by hand when simple tackle would have made the job far easier). It was achieved by increasing the burden on the worker. Larger engines and heavier trains meant a bigger strain on the train crews. Split and spread-over duties and rostering of turns were introduced so as to reduce the necessity for reliefs. On the permanent way the length for which each gang was responsible was increased and the number of spare gangs reduced. The work of shop and maintenance men in particular was concentrated on much smaller staffs and therefore became much harder.

## Pay.

The economies of the companies were achieved not only by sacking men but by cutting the pay of those who were left. No section of British workers had to endure such long-standing wage cuts as the railwaymen. From August 13th, 1928, the companies obtained a  $2\frac{1}{2}$  per cent. cut which was restored in 1930. In 1931, however, new percentage cuts of  $2\frac{1}{2}$  per cent. plus another  $2\frac{1}{2}$  per cent. on all earnings over 40s. (£100 for clerical and supervisory staffs) were made, and at the same time overtime rates were cut from time and a quarter to time and an eighth days and from time and a half to time and a quarter nights, night duty rates were cut to time and an eighth and Sunday duty to time and a third.<sup>1</sup> It may be noted that in South Wales at any rate men had been receiving time and a half for Sunday duty since the strike on the Barry, Rhymney and Taff Vale Railways in 1890. These cuts were restored in dribs and drabs over the years and were not fully restored till 1937.

Some of the statements of the companies when, in 1936, before the newly set up Railway Staff National Tribunal, the unions were demanding the restoration of the remaining cuts, are enlightening:

The Railway Companies stated their claims were not made for a limited period, and the relief granted was not awarded for a limited period. . . . The deductions and variations so awarded are more accurately described as 'conditional' . . . the relief was not awarded for a period but for a purpose, and that purpose has not yet been fulfilled.<sup>2</sup>

The standard revenue was still the one sacred thing to the companies, and no doubt the "fair level of wages" and "best possible conditions" promised by the companies for after the war will be as "conditional" on this as were wages in 1936. Again:

The Railway Companies do not agree with the contention of the National Union of Railwaysmen that the continuation of the deductions and variations in conditions imposes undue hardship on the staff. . . . The Railway Companies were not prepared to admit that pre-war wages of railway staff were unduly low.<sup>3</sup>

<sup>1</sup> There were no changes in conditions or classes for clerical, supervisory and other salaried staff and staff paid on a salary equivalent basis.

<sup>2</sup> R.S.N.T. Decision No. 1, p. 25. <sup>3</sup> R.S.N.T. Decision No. 1, pp. 28 and 23.

Here is the real objective of the companies in all its frankness. The pre-1914 wages, when 100,000 railwaymen were earning 20s. or less, were "not unduly low." It would be hard to credit that any set of employers could say this if the record were not there.

Nor was it only during the slump years that railway wages were low. With all the war increases won by the unions (25/6 plus 4/6 for the lowest grades) the minimum rate in London to-day is 80/-, in rural areas it is 77/-. There are some 100,000 railwaymen on these rates. These 'zero grades' include engine cleaners, carriage and wagon oilers and greasers, shed labourers, grade 2 porters, goods porters, all lengthmen and relayers, and very many more. The British permanent way has been widely hailed as the finest in the world, but the men who maintain that way, the perwaymen, have never in all railway history had a living wage.

An investigation carried out by the Oxford Institute of Statistics in June-July, 1943, showed that the minimum amount of calories prescribed as necessary by the Ministry of Health was only just reached by families spending 9/7½ to 10/1½ per head per week on food. It also showed that food took up on an average 40 per cent. of total income. On this basis a minimum wage, the barest health standard, for a family of four, would be not 80/- but 96/- to 101/-.

Wherever railway wage rates can be compared with the rates of workers doing similar work in outside industry, the disadvantage usually lies with the railways. The base rate of a Class 1 fitter in general engineering in London is 70/11, the base rate of the same class of worker in the railway shops is 50/1. The shopman has a number of bonuses, and the time rate of the two sets of workers is not so very different, but it is of course the base rate on which piecework is calculated. Similarly colliery platelayers, doing very much the same work as perwaymen, now get £4 10s.

Low as these basic rates are, there is very little opportunity for bringing earnings up to a more reasonable level. For most grades there is no piecework and where, as in goods yards, such systems do exist, they are very unsatisfactory. Hence the fact that the railways are doing about 50 per cent. more work than in peace-time, and that railwaymen are working very much harder, has not, as it has in engineering, been reflected in pay packets.

For some grades there are 'servitude rates,' but these are very small. A guard gets 12/- more in his 6th year than in his first and a fireman 15/- more at the end of 11 years. Some grades would be glad even of this. A lengthman or relayer has one chance in eight, if he is in a small gang—less if he is in a big one—of reaching a ganger's position. He may get the small increment (2/- to 4/-) which goes to a sub-ganger. Otherwise he stays on the minimum rate all his working life.

The result is, of course, that most railwaymen rely, and have always had to rely, on overtime to make a living wage. As a correspondent stated in the *Railway Review*: "The evil of overtime puts the subsistence level at base rates plus overtime."<sup>1</sup> And yet even so railway *earnings* are below those in other industries. In March, 1944, railway earnings were:

Conciliation staff, men	...	...	...	...	...	107/3
All men	...	...	...	...	...	114/-

The average for men in all trades was 124/4. Since then railwaymen have had increases of 5/-, but this still leaves the conciliation staff 12/1 and all railwaymen 5/4 below the average for other industries.

## Grades and Classifications.

In spite of the reduction in the number of grades which railwaymen achieved in 1919 the companies still manage to retain a bewildering variety both of grades and classifications. To take the question of classifications first. For most traffic grades there are three rates: London, Industrial and Rural. It has been pointed out many times that a man or woman in a rural area has much the same expenses as one in a provincial town, and yet the indefensible rural rate remains. For shopmen there is a shop towns classification, with no less than 8/- difference between London and Class 5 towns. Signal boxes (5 classes and a special, sometimes with differences between London, Industrial and Rural rates in each) and shunting sidings, are also classified (there are four classes of shunters—at 'very important' stations or sidings, 'important,' 'less important' and 'least important,' again with up to 2/- difference between the London and Rural rate on top of this).

As to grades, there are nine different rates of pay in the sheds alone (of which only two are chargemen's rates) and often only a shilling's difference between them.

Labourers, tube cleaners and others are on the 80/- rate, for instance, Class 2 crane-men get 82/- and Class 1 coalmen 83/-. It can readily be seen why one of the central points in the new national programme of the N.U.R. was a reduction in the number of grades.

## Conditions.

What of the conditions which the companies aim to make "the best possible" after the war? The outstanding fact here is that the railway industry as a whole has been and is outside the Factory Acts, as it has also been outside the wartime welfare and canteen orders. That is to say, there are *no* legal requirements as to washing and sanitary arrangements, and whereas the worker or his union in an engineering factory can fetch in a Government inspector if there are not the required number of washbasins or a supply of hot water and clean towels, in many railway depots hot water is unknown and even washbasins have to be fought for month after month. These conditions are of course particularly scandalous in view of the fact that a large number of women have been brought on to the railways during the war.

At the outbreak of war there were 189 railway canteens in the whole country. To-day there are 528,<sup>1</sup> with more in the course of construction. For even these, many an L.D.C. has had to fight a battle lasting up to three years. But there are some 600,000 railwaymen and more than 7,000 stations in the country.

Medical and first-aid arrangements, in spite of the fact that more than 200 railwaymen are killed and some 15,000 injured each year,<sup>2</sup> are totally inadequate and depend mainly on the unpaid ambulance-man—a working railwayman who has to leave his work and clean up before he can help the injured.

Finally, for the traffic grades there is no sick pay, no pension, and only six days holiday in the year. Clerical staff get 12 days' holiday in classes 5-3, 15 days in classes 2 and 1, and 18 days in the special class. What justification there is for the distinction, nobody knows. The unions, as is well known, put in a claim for 12 days' holiday with pay in March, 1944, but according to the report of the General Secretary of the N.U.R.:

the companies' representatives resisted the claim and intimated they could not concede the request at the present time. Our efforts to get them to concede the principle to be applied as soon as practicable proved of no avail.

The companies' representative indicated the concession would inevitably necessitate increases in rates and charges, which would need Government consent and, without knowing that the post-war position would be, they were not inclined to commit themselves.<sup>3</sup>

The absence of any sick pay scheme means that many a railwayman has come to work when he should have been at home, thus spreading sickness among his mates and making his own illness worse, until perhaps it became really serious.

It is widely believed among the general public that railwaymen already receive pensions. In fact, only a tiny minority of men in the traffic grades who were in some pension scheme in one of the old, pre-amalgamation companies, receive anything at all, and the demand of the unions for a real pension scheme for all railwaymen is receiving the strongest backing from the membership.

## Negotiating Machinery.

Plainly then there is much to be changed if the rail workers are to have "a fair level of wages and the best possible conditions" after the war. What of the machinery through which the change would normally come, the negotiating machinery? Of this the companies say:

The staff negotiating machinery on the railways is the most highly developed and the smoothest working of any in this country, if not in the world.<sup>4</sup>

<sup>1</sup> *The Caterer*, 8.9.44.

<sup>2</sup> The number of railwaymen killed and injured each year is given in the Report to the Minister of Transport upon Accidents which occurred on the Railways of Great Britain during the year 1937.

	1937	1936	Average 1930-4.	Average 1925-9.	Average 1920-4.
Killed	...	236	246	217	252
Injured	...	17,437	16,620	15,845	19,452

<sup>3</sup> *Railway Review*, 30.6.44.

<sup>4</sup> Sir Ronald Matthews (L.N.E.R.) *Financial News*, 23.12.43.

From the railwayman's point of view the most highly developed thing about it is its slowness. The bottom rung is the Local Departmental Committee, consisting of representatives of the company and of the department or group of grades on the spot, and empowered to deal with arrangement of working hours, staff accommodation and so on, and also improvements in working methods and organisation, which may be referred to it. The "may" in this phrase means in practice that managements do not always refer changes in working to the L.D.C.—a serious defect—and they have also been far less ready than managements in engineering factories, for instance, to consider suggestions from the men for better working. There is, furthermore, no guarantee that any decision will ever be reached and officials are able, as has been mentioned earlier, to postpone decisions for an almost indefinite period.

The second rung is the Sectional Council, representing a group of grades on the whole of one railway company together with the company's officials. The most important function of the S.C.s is working out the application of national agreements, and here again there are delays when points in dispute are referred to the national E.C.s.

Where there is no agreement on the S.C. the matter can, as a result of the long fight over recognition which was settled in 1919, be raised nationally. But it is precisely in the national part of the machinery that the main delays occur. Questions of interpretation referred to a union E.C., or proposals to vary a national agreement, must first be raised by the union or unions with the company or companies concerned. Failing agreement there the question goes to a joint meeting of the Railways Staff Conference and the union or unions. Only after that may it be taken to the main national negotiating body—the Railway Staff National Council—consisting of eight representatives of the companies (two from each main-line company) and eight of the men (four from the N.U.R. and two each from the A.S.L.E. & F. and the R.C.A.). The R.S.N.C. itself however has lately been turned into little more than a post-box—a place where terms of reference are settled before the question is passed on to the Railway Staff National Tribunal (consisting of one nominee of the companies and one of the unions, with an 'independent' chairman).

In all this procedure there is no provision for a time limit except in the minor matters of the issue of agendas and of statements of claims and defence to claims. It is obvious that a national wage claim can take many months to settle.

Such are the wages and conditions of railway workers to-day. In December, 1943, Sir Ronald Matthews said :

... the railway industry has had in the last 20 years a remarkably happy record of co-operation between the staff and the managements. ... The relations between the companies and the unions are based on mutual respect and trust, and it is our constant endeavour to maintain the highest standards in all our dealings with our staffs.<sup>1</sup>

What cloud-cuckoo land Sir Ronald lives in, we do not know. The plain fact is that their experience of 20 years and more of unvarying meanness and inefficiency has given railwaymen strong feelings about the companies, of a quite different sort.

### (3) Profits.

What have been the financial results to the companies of this policy of starving the railwaymen and stinting the public?

We are all familiar with the claim that railway shareholders have been very hardly done by, and that the railways hardly make any profit at all. The companies have even approached the Government to have the wartime agreement altered in their favour, and the matter has twice been raised in Parliament (on August 1st and December 28th, 1944). The arguments are that £43 million (or, for the main-line companies, £38 million plus £2 million of 'uncontrolled' revenue) is not enough; that it does not allow for any payment on the L.N.E.R. ordinary stock; that it is not as much as the standard revenue; and that indeed for E.P.T. purposes "there is a general presumption that at least 6 per cent. is not unreasonable, before profits are called excess profit"<sup>2</sup>—in other words, that even the standard revenue, which allowed 4½ per cent. average interest and dividend, did not give the companies enough. But the net revenue in 1944 was £40,372,462—more than has been earned in any year since 1929 and £10 million more than was earned in 1938. A Conservative M.P., Sir Alfred Beit, gave it as his opinion in the House of Commons (21.12.44) that if the companies had been treated like other concerns, on the E.P.T. basis, they could not have claimed any other standard than their pre-war earnings.

<sup>1</sup> *Financial News*, 23.12.43.

<sup>2</sup> Lord Stamp at the 1940 A.G.M. of the L.M.S., quoted in a letter in the *Financial News* of 29.12.44.

## What They Make.

Is it true that the railways have made consistently low profits? On the contrary, they still pay out one of the biggest lumps of profit in any British industry. In the 24 years 1921-44 the total amount paid by the railways in interest and dividend was £981 millions—over 87 per cent. of the swollen capital receipts. The average sum paid per year since 1921 was £41 million. In 1937 about 4/- in every £1 received by the railways in freights and fares went directly in dividends and interest, compared with 11/- on wages. The average rate of interest and dividend on issued capital from 1921-38 was 3.72 per cent., and in 1937 3.53 per cent.

The average rates of dividend would, of course, appear considerably higher if it were not for the abnormally high figure of capital issued. We have already pointed out (p. 5) the heavy expenditure on law expenses, bribes, racketeering prices for land and uneconomic and duplicating lines. The total capital which never has earned, and never could earn, any interest on British railways to-day, has been variously estimated; a figure of £224 million is probably not exaggerated (see *Ten Years of Railway Finance*, by W. Fox, L.R.D. 1932, for basis of this estimate). Yet all this ranks for payment of interest and dividend, and has done for up to 100 years.<sup>1</sup> As the Royal Commission on Transport reported in 1931:

With such excessive capital expenditure two things only—each undesirable—are possible, either the capital remains unremunerative or remuneration must come from excessive charges to the user.<sup>2</sup>

It has been suggested even in financial circles that railway capital ought to be 'written down' in accordance with its actual earning power to-day. This the companies have always fiercely resisted. They maintain that their capital is not inflated because it would cost more to replace all their assets to-day than it did to acquire them in the first place. One answer to this is that nobody wants to replace some of the assets—the duplicated lines for instance. The other answer was given in an article in the *Economist* shortly before the war:

In a normal industrial concern a solution would doubtless be sought in a reorganisation of the existing capital. Hitherto, such a suggestion has been countered by the argument that the companies' assets, taken as a whole, stand in their books at less than their replacement cost to-day. The real question, however, concerns earning power rather than book values. An ordinary industrial concern would recognise that part of its earlier capital expenditure, though still represented by assets, was no longer profitable, and should be written off.<sup>3</sup>

If the companies had taken this advice it would have been far easier for them to raise new money for improvements.

## Buying up Competitors.

The companies have also deliberately chosen to use some of the money which might have gone into improvements to extend their hold over competing forms of transport. The Royal Commission on Transport criticised this policy in 1931:

On the general principle of the policy now being followed by the railway companies, we cannot refrain from expressing a feeling of doubt whether it is wise for the companies to expend large capital sums for the purpose of establishing services which may be in direct competition with their business as railways. We feel that possibly such capital would be better applied to the electrification of their suburban lines.

Electrification of the suburban lines would not only have given the public better service, it would have increased the companies' earning power. But they preferred the path of building up their monopoly.

Because the companies have insisted on retaining their heavy burden of inflated capital, it has been impossible for them to raise new money for improvements except by methods which have worsened the position of the ordinary shareholders. Railway capital has been increased in recent times almost entirely by the addition of 'fixed-

<sup>1</sup> Assuming the non-earning capital got the average rate of interest and dividend, the total drawn by stockholders on this account would amount to about £8 millions in 1937.

<sup>2</sup> *Final Report*, p. 17.

<sup>3</sup> 12.3.38.

interest' stocks, either debentures or guaranteed or preference stocks, which are entitled to a fairly high rate of interest or dividend—usually 4 per cent. or 5 per cent.—before the ordinary stocks receive anything. The reason for this has been, of course, that in view of the already large amount of railway capital, much of it useless, which had a claim to railway dividends, investors refused to put any more money into the railways unless they had a guaranteed return.

Railway capital is thus heavily overweighted with fixed-interest stocks. W. J. Stevens, in *The Future of British Railways*, states that before 1914 it was usual for a well-balanced capital account to show 25 per cent. of debentures, 35 per cent. of guaranteed and preference and 40 per cent. of ordinary stocks. This may be compared with the actual composition of the capital in 1938 :

Stock.	S.R.	G.W.R.	L.M.S.	L.N.E.R.	Average.
Debenture	29%	32%	26%	32%	30%
Guaranteed and preference	34%	39%	51%	47%	43%
Ordinary	36%	29%	23%	21%	27%

As a result the *ordinary* dividends have fallen—from an average of 4.79 per cent. in 1921-5 to 1.12 per cent. in 1934-8. (It may be noted that the L.N.E.R., of the ill-treatment of whose ordinary stockholders we hear so much, has the highest proportion of pre-ordinary stocks of any.) But the average interest and dividend on debentures and guaranteed stocks has actually increased since 1921 :

	Average rate of interest or dividend.	
	Debentures.	Guaranteed.
1921-5	3.54	4.05
1934-8	3.86	4.22

## Government Credit.

The raising of new money for the railways in recent years, however, has not only affected the railway ordinary shareholders, it has also affected the public, since the greater part of this money was raised for the companies by the Government, on better terms than they could have got for themselves. Two organisations, the Railway Finance Corporation and the London Electric Transport Finance Corporation, were set up in 1935, by agreement between the Treasury and the railway companies, especially to raise money for the companies—in the first case for the four main lines, and in the second for the G.W.R., L.N.E.R. and L.P.T.B. By December, 1942, the Railway Finance Corporation had made loans to the companies of rather over £26 million, and the London Electric Transport Finance Corporation loans of nearly £36½ million (of which over £25 million went to the L.P.T.B.) The principal and interest of these loans were guaranteed by the Treasury, and the interest cost to the companies was about 2½ per cent.—that is to say, there was a saving of over 1 per cent. on the best terms they could get, even for debentures, for themselves. There are signs that the companies would like to extend this arrangement after the war, and it is well to be clear as to what is involved, namely, a Government guarantee to enable the companies to raise money which they could not raise for themselves, but no increase of Government control.

The companies have also had assistance from public money in the form of rating relief. Besides the relief from 75 per cent. of their rates under the Local Government Act of 1929 (only three-quarters of which had to be passed on to the public through the Freight Rebates Fund) they succeeded, after a fight lasting from 1931-36, in getting their assessment reduced and a further relief of £2 million per year (with a lump sum payment of £13 million of arrears in 1936).

To sum up, then, the companies' plea of poverty cannot be maintained. They have made large profits; the comparatively low dividends on ordinary shares in recent years are due only to the excessive proportion of fixed-interest stocks. They have deliberately chosen on the one hand to use some of their profits for buying up competitors instead of improving their own property, and on the other to keep on their books all the inflated expenditure of the past so that it became impossible for them to raise new money cheaply. Finally, they have succeeded so far in having cheap money raised for them by the Government, without submitting to any public control in return.

<sup>1</sup> Figures are taken to the nearest £100,000. Debentures include, in the case of the S.R., Annuities; in the case of the G.W.R., rent charges, and for the L.N.E.R., loans.

## (4) Who Owns the Railways?

We said earlier that the companies were more powerful to-day than ever before. Who *are* the companies? Who are the men who have built up our railways into this great monopoly and draw the benefits from it?

Unlike other companies, the railways are not compelled to publish lists of their shareholders. A very interesting series of articles in the *Financial News* has, however, recently given some information on this question.

According to the last of these articles,<sup>1</sup> of the 1,137,000 holders of stock in the four main-line companies, one-fifth own not more than £100 of stock, one-third own not more than £200, over a half own not more than £400 and four-fifths own not more than £1,000. Only 7 in every 1,000 stockholders own £10,000 or more of stock.

The owners of holdings of £10,000 or more control, however, a very considerable part of the total stock—24.6 per cent. of all stock. Eight holders own over £1 million of stock each. The conclusion drawn in the articles that "ownership could not be more 'democratic' if, for example, the railways were nationalised" is thus frankly ridiculous.

It is, of course, generally recognised that in order to have effective control of a company one does not need to control a majority of the shares.<sup>2</sup>

## The Directors.

The author of the article in the *Financial News* maintains that:

Railway capital owners are, in fact, a wide cross-section of the entire British community—lawyers, shopkeepers, dentists, Members of Parliament, journalists, wage and salary earners, clergymen, railwaymen, bankers, captains of industry, widows and old people.

We should therefore expect to find a few railwaymen, not to mention widows, on the boards of directors. Who *are* the railway directors? The directors of the main-line companies are drawn almost entirely from the small group of very rich men, with interests stretching far beyond their own industry, who control the key-points in British economy.

Before the amalgamations there were 1,300 railway directors; immediately after the amalgamations there were about 100; and to-day there are 71. Between them, however, they hold 480 directorships, including 48 in banks, 43 in insurance companies, 73 in finance companies, 50 in coal, iron and steel, 56 in canals and railways, 41 in docks and shipping, and 35 in gas and electricity companies.

Among railway directors who are particularly important figures in the world of industry is W. K. Whigham, of the L.N.E.R., a director of the Bank of England and the Bankers' Industrial Development Co., and a member of the Central Electricity Board. There are big coalowners and steel men such as the Earl of Dudley (G.W.R.), chairman of the British Iron and Steel Corporation and of the Earl of Dudley's Baggeridge Colliery Ltd., director of the huge Richard Thomas steel combine and the Westminster Bank; Sir Francis Joseph (L.M.S.), who is on the board of the Birmingham Small Arms Co., as well as of the Midland Bank, Rio Tinto Mining Co., and 4 other companies, and is chairman and managing director of Settle Speakman & Co., Ltd., controlling six collieries; and Sir Samuel R. Beale, chairman of Guest Keen and Nettlefold's and 20 other companies.

The Rt. Hon. Lord Royden, chairman of the L.M.S., is a shipowner, chairman of Thomas Royden & Sons, and on the Cunard companies, chairman of the great Edmundson's Electricity combine and Imperial Continental Gas Co., and a director of Shell Transport and Trading Co., Midland Bank and three insurance companies. Sir Charles Hambro, chairman of the G.W.R., is a director of Hambro's private bank, of the Bank of England and of 5 other finance and insurance companies.

Among the representatives of light industry is J. V. Rank, of Rank's flour mills, brother of Joseph Rank, the film magnate.

<sup>1</sup> 3.11.44.

<sup>2</sup> See G. D. H. Cole, "Evolution of Joint Stock Enterprise," in *Studies in Capital and Investment*, 1935. See also for example J. A. Hobson, in *The Evolution of Modern Capitalism*, where he states: "In England, the usual policy has been to offer to the public a large holding of ordinary shares, and to trust to the prestige of the directorate, backed by a sufficient support of personal holdings, to enforce the policy of the board. Such is the case in most British Railways, Banking or Brewing Companies—a widespread ownership of the stock accompanied by a sufficient control of voting power by the directorate to give them command."

## Directors in Politics.

The political power of the railway directors corresponds to their industrial power. Eleven directors are members of the House of Commons and 13 of the House of Lords. The 11 railway-director M.P.s are : Col. W. H. Carver, Mr. A. G. Erskine Hill and Col. H. P. Mitchell, of the L.N.E.R. ; Col. Sir R. G. C. Glyn, of the L.M.S. ; Lt.-Col. the Hon. J. J. Astor, the Hon. Sir E. G. C. Cadogan, Mr. C. E. Lloyd and Brig. G. S. Harvie Watt, of the G.W.R. ; and the Rt. Hon. Sir G. L. Courthope, Lt.-Col. Sir G. E. Schuster and Mr. Henry Brooke, of the S.R. All these are Tories with the exception of Sir George Schuster, who is a Liberal-National. Sir George Courthope is chairman of the Conservative Party.

Some railway directors were associated with the policies of Munich—Viscount Runciman, late of the L.M.S., was a notable example. To-day, certain railway-director M.P.s are prominent as opponents of the continuance of controls, the implementation of the Beveridge Report and a satisfactory town planning act. During the debate on Social Security on 16.2.43, Mr. Erskine Hill (who was then chairman of the Conservative Members' Committee, late 1922 Committee) said :

It would be wrong not to face to what extent we shall be poorer and not to realise that many of the reforms, however anxious we are to make them, cannot be made if they will have the effect of putting our finances in a position in which we will not be able to do justice to those who invested their money in War Loan. . . .

and Sir Edward Cadogan, during the debate on employment policy (22.6.44) referred to hopeful signs that "the Government are beginning to awake from the trance which the wiles of Sir William Beveridge have produced."

Again, in the recent debate on the Town and Country Planning Bill, both Sir George Courthope and Mr. Erskine Hill were to the fore in producing hampering amendments. For example, Mr. Erskine Hill wanted the 30 per cent. additional compensation promised to owner-occupiers to be given to *all* property-owners on the ground that "the people of this country have always preferred justice and fairness to anything like confiscation."<sup>1</sup>

Prominent among the organisations fighting controls is the Society of Individualists, set up to prevent "the collapse and calamity which lurk in the wake of collectivism." Baron Ebbisham, of the S.R., is one of the Vice-Presidents of the society, and Sir Francis Joseph is a member of its council. Sir Francis also signed the manifesto of the 120 industrialists (*A National Policy for Industry*) which asked, among other things, for a central council of industrialists to exercise control over industry, and which defended the growth of monopoly and trusts.

## III. AFTER THE WAR.

### (1) The Companies' Plans.

What is to happen to the railways after the war?

The companies have issued a statement of what they propose to do.<sup>2</sup> According to this, they intend to carry out, as soon as they can get the men and materials, six years of arrears of maintenance ; to restore all pre-war facilities as soon as possible ; and to undertake a number of improvements ranging from the scrapping of obsolete types of engines, carriages, and wagons, the replanning of approaches to busy traffic centres, the development of railheads, cartage, containers, and branch-line freight services, and the "completion of electrification works stopped by the war," the construction of "tracks capable of running trains at speeds of at least eighty miles an hour," the rebuilding of hundreds of stations ("at a later stage") and the provision of passenger rolling stock with "bright colours, new fabrics, plastics and other new materials."

<sup>1</sup> *Hansard*, 19.10.44.

<sup>2</sup> *Financial News*, 29.12.44.

What does all this amount to? First, as to arrears of maintenance. The railway companies, unlike all other companies, have been allowed to base their renewal funds not on pre-war costs but on replacement costs. Any sums not spent have been accumulating in trust funds which, by the end of 1944, had reached the enormous sum of almost £98 million. Furthermore the Government will pay a sum which has still to be agreed on for "abnormal wear and tear," so that there is indeed no reason why the companies should not carry out arrears of maintenance. In the second place the companies promise to carry out some of the more obvious improvements which have been needed, in many cases, since 1921. And in the third place there are plans for some big-scale improvements "at a later date," and some higher speeds and brighter paint on the luxury services.

This programme is not adequate (there is still no promise of electrification even of all the suburban services, and no mention of canteens or any of the things which make a direct difference to working conditions). But if it were fully carried out it would certainly increase the efficiency and lower the costs of railway working.

Unfortunately, however, the companies are clearly not relying mainly on efficiency to produce the revenue they want. They are proposing to raise charges, to tighten their monopoly, and to get some form of subsidy. And by these means they believe they can at last attain the "standard" revenue of £51 million.

## Charges.

Sir Charles Hambro, late chairman of the G.W.R., said at the 1945 annual general meeting of stockholders:

I think it well to point out that on the quantum of traffic which we carried in the years immediately preceding the war, the pre-war level of our charges would have to be raised by about 50 per cent. to cover the increased costs and yield the pre-war revenue, and by about 60 per cent. to give us our standard revenue.<sup>1</sup>

The first point here is that there is no reason why the railways should only carry the pre-war "quantum of traffic" after the war.

As the *Economist* points out (10.3.45) :

... On a very modest set of assumptions, the national income may well be some 10 per cent. higher after reconversion than before the war; on more sanguine—but still justifiable—assumptions, it would be about 20 per cent. higher. If, for the sake of argument, it be assumed that the volume of traffic will show a roughly proportionate increase, the picture changes.

It is true that costs would also go up—but "in nothing like strict proportion to the rise in the volume of traffic" (because the railways in any case carry a big load of fixed capital, whether traffic is light or heavy).

There are two further considerations: first, that there is a good possibility in the longer run of a level of national income (and, therefore, approximately, of traffic), not 20 per cent. but 50 per cent. above pre-war (see *Labour Research*, June, 1944); and second, that modernisation of the railway system would also reduce costs.

As to the standard revenue, the *Economist* commented in 1944 :

It is surely ridiculous in 1944 to insist upon the sanctity of the 'standard revenue' figure. This figure is based on the results of a period now 31 years ago. It was held to be out of touch with existing conditions when it was invented over two decades ago. Since then there has been the whole development of road traffic, which has completely transformed the whole economic position of the railways. There have been changes in price levels. And the standard revenue was never once earned during eighteen years of peace-time operation. It is really time that this example of industrial mortmain was laid to rest.<sup>2</sup>

What the companies are mainly relying on, besides a raising of charges, to achieve this exorbitant revenue are apparently, first a strengthening of their monopoly, and second, subsidies.

<sup>1</sup> *Financial News*, 8.3.45.

<sup>2</sup> 18.3.44.

## Tightening up Monopoly.

Reference has already been made to the attempt of the railway companies to get an understanding with the big hauliers. The main railway demands are apparently that the haulage industry should be "organised"—that is that the small hauliers should be compelled to link up with the bigger firms—and that road and rail should then be co-ordinated as to obligations to the public, charging powers, and wage rates and hours of labour.<sup>1</sup>

The intention of the railway companies to extend their hold on air transport (endorsed by the Government White Paper, Cmd. 6605) is part of the same fight to close the ring of railway monopoly. There is clearly little hope either that any road charges will be allowed to remain lower than rail, or that air travel will, as it could, be cheapened so that it can compete with rail, if the railway companies control both. The general result must be high charges all round, and at the same time the companies will be putting into the new air corporation money which ought to be used to modernise the railways.

## Subsidies.

The proposal for subsidies has taken various forms. The point on which there seems to be most general agreement by the companies is the demand that track costs should be equalised as between road and rail. Thus the chairman of the L.N.E.R. said that the companies "attach great importance to the adoption of a scheme for the equalisation of the incidence of track costs"<sup>2</sup>—a scheme which, whether it meant a subsidy to the railways or the imposition of extra highway costs on road haulage, would mean the public paying still more for transport to increase profits.

Subsidies have also been demanded on a number of other grounds (not always, it is true, by the companies themselves, but by people like Major-General Szlumper,<sup>3</sup> later General Manager of the S.R., and Mr. Sewill,<sup>4</sup> chairman of the road side of the Road-Rail Central Conference,<sup>5</sup> who cannot be considered entirely ignorant of the companies' intentions). Subsidies are demanded for the so-called 'strategic' (non-paying) lines, for workmen's fares, and even for coal and other heavy traffic (on the ground that, since the railways have lost much of their high-rated traffic to the roads, they are now subsidising the lower grades).

The companies, then, are intending after the war to surpass all their previous records. They are intending to secure the revenue which they have never reached since it became "standard" in 1928, even if it means holding the whole country to ransom for the benefit of the railway stockholders.

What would such a policy mean for the workers? It would mean once again the resumption of the old drive for 'economies' at the expense of the railwaymen. There would be more redundancy; high rates and fares would restrict the amount of traffic and therefore the employment in the industry. The increased effort made by railwaymen, under extremely difficult conditions, during the war, might even be used as the excuse to try to impose on them permanently more strenuous and exacting conditions.

To reconcile the public to these designs, the companies are carrying out a lot of publicity about the achievements of the railways during the war. But the credit for these achievements goes almost entirely to the railway workers—to their long hours, hard work, and perseverance in the face of difficulties. There is nothing here on which the companies can cash in to secure a longer lease of life for private profit-making.

<sup>1</sup> See G.W.R. meeting, *Financial News*, 8.3.45.

<sup>2</sup> *Financial News*, 4.3.44.

<sup>3</sup> *Financial News*, 26.1.44.

<sup>4</sup> *Times*, 13.9.44.

<sup>5</sup> Set up by the Transport Advisory Council. The T.A.C. itself was set up under the Road and Rail Traffic Act, 1936, to advise the Government on co-ordination.

## (2) *The Labour Movement's Plans.*

The railway companies' plans are a danger signal for everyone who wants prosperity in this country after the war. In subordinating everything to their own selfish interests they not only condemn the railwaymen to continued poverty and insecurity, they undermine the whole hope of the better Britain which the Labour movement is determined to secure.

If there is to be prosperity, if there are to be jobs for everyone after the war, then the first essential is higher wages than we had in the pre-war years. It is generally recognised now that the alternatives are either a high and rising level of wages or a return to slumps and unemployment.

Many sections of workers are now going forward with demands for the wage increases which will be necessary in a prosperous Britain. The railwaymen are also preparing their demands, and no section has a better claim.

The post-war programmes of the railway unions are being prepared in consultation, and at the time this goes to press only the N.U.R. programme has been issued. This includes in the forefront the demand for a minimum wage which shall provide a living standard—£4 10s. was the figure adopted at the Special General Meeting in November, 1944. Other demands are for a guaranteed week of 40 hours and a guaranteed day; the abolition of spreadovers; the introduction of sick pay and pension schemes; and a paid holiday of 12 working days.

Equally important is the demand for the ending of all those devices by which the companies have tried to pit one section of railwaymen against another in the past. There are demands for a drastic revision of the grading system with a reduction in the number of grades, the abolition of hybrid grades, and the wiping out of the differences scheduled under the separate Industrial and Rural classifications.

The granting of these demands would go far to make railwaymen more prosperous and therefore to make Britain more prosperous. The increased purchasing power of 600,000 railwaymen would be an extremely important factor in raising the demand for the products of industry in accordance with the advance in productive power achieved during the war. It is the interest of the whole-country, as well as of the railwaymen, to see that the claims contained in the union programme are met.

## *Why We Need Control.*

But higher wages, though the first essential for a prosperous Britain, are not the only need. As the T.U.C. report on reconstruction points out, it is also necessary that the key points of control should be in the hands of the Government, representing the public interest, and not of individuals representing private interests. Industry is now organised on such a scale that a handful of powerful businessmen can largely decide the economic destinies of the whole country.

The choice before us is not between control or no control, but in principle, between control by public authority responsible to the community, or control by private groups and persons owing a final responsibility to themselves alone.<sup>1</sup>

The experience of the war has not been lost on the public. It is undeniable that State control of certain strategic points *has* meant that what was needed was produced and that work was found for everyone. Despite the efforts of reactionary Tories, from Lord Beaverbrook and Mr. Lyttelton to Sir Herbert Williams, M.P. and Sir Waldron Smithers, M.P., State control is not the bugbear it was, and very wide sections of the people are ready to support Labour's programme for an economic system controlled at certain strategic points in the public interest.

The T.U.C. report mentions as some of these key control points, the use which is to be made of land and other natural resources, the location of industry, the rate of investment in industry, and the level of prices. But it makes clear that if the State is to have any real control of these things it *must* also control certain key industries—those which have such a big influence on the whole economic life of the country that they must come into public ownership if there is to be any economic planning at all. One of the foremost of these industries is transport.

<sup>1</sup> *Interim Report on Post-War Reconstruction*, p. 8.

The T.U.C. report and the Labour Party E.C. report on transport<sup>1</sup> show clearly that on the efficiency and cheapness of transport the efficiency and cheapness of all other industries depend. The cost of our new houses, to take but one example, will depend very much on transport costs. Transport also affects the location of other industries. It can make or break replanning in the same way as control of the land can. And it has an enormous weight in the life of the country because it is such a big investor, big customer for engineering and iron and steel goods, and big employer (transport workers represent one in twelve of all employed workers). For all these reasons not only the Labour movement, but everyone who seriously wants the kind of control which can end unemployment, must be in favour of the immediate nationalisation of transport. For example, Sir William Beveridge, who is by no means a Socialist, considers it necessary.<sup>2</sup>

## How Would it Work?

Tremendous changes will take place when our transport services are run primarily to meet the needs of the people, and not primarily to meet the needs of the shareholders.

In the first place, the whole of transport will be run as *one* service—one branch will not be competing for traffic against another. This has had to be done in wartime. As the Labour Party E.C. points out:

In all cases the Government had to decide between previously competing agencies, and allocate traffics as it thought fit, to the railways, the roads, or the canals. These decisions were taken nationally, without regard to which company earned the biggest profit, but in an endeavour to ensure that, having regard to the circumstances at the time, every section did the job it was best equipped and situated to discharge. It was by working in that way that transport could make its contribution towards the defeat of the enemy powers.

If goods that are technically best suited for rail are going by road, the costs of both road and rail are piled up. In a national transport system, each branch will carry what it is best suited for.

In the second place, each branch will be fully used. When a privately-owned system gets rid of competition it introduces restrictive agreements, higher charges—in fact a private monopoly. In a nationally-owned system, bus and airline fares would not be kept high to suit the railway companies, hauliers would be encouraged to develop services in the rural areas, the Forth and Severn road bridges would be built, canals would be modernised so that they could be a real alternative route for heavy goods traffic:

Thirdly, in a nationally-owned system, it will be possible to *plan* the services to meet the people's needs. Transport will be able to play its part in a national plan for industry, to help in the rebuilding of the "development areas" (and not just to cash in on the increased traffic brought by already established industries). It will be able to meet the people's needs for cheaper holidays and more comfortable journeys to work (instead of planning, as was the case even before the war, for peak loads all through the day).

## Bringing the Railways Up-to-Date.

Fourthly, it will be possible to carry out the new investment which is so badly needed in the industry. The terms on which the private owners are bought out will reduce the old burden of non-earning assets, and the new efficiency which will come with national co-ordination and a say in management for the workers, will make it easier to carry the interest. The new investment, under national control, will really make possible the major improvements—improved rolling stock, more modern locomotives, larger wagons and containers, improved machinery for handling goods, replanning of yards and sheds and electrification at least of the suburban railway lines—as distinct from the more immediately paying proposition for luxury coaches and so on which the railway companies have in mind. These improvements will not, of course, as capitalist 'rationalisation' did, mean redundancy—they will on the one hand make the workers' job easier and pleasanter, and on the other help to increase traffic. Improved conditions will also lead to more employment (the 40-hour week alone will mean another 100,000 railwaymen are needed).

<sup>1</sup> Post-War Organisation of British Transport.

<sup>2</sup> Full Employment in a Free Society, Sir W. Beveridge.

## New Life for the Railwaymen.

Lastly, the nationalisation of transport will mean a transformation in the position of the workers. The claims of railwaymen for pay commensurate with the importance of their work, for sick pay and pensions, for new up-to-date buildings to work in, for the application of safety devices and proper medical attention, for a reduction in awkward turns of duty and a say in how the services are run, will be met because their claims no longer have to come second to the claims of the stockholders and because their participation in management will be essential to the success of the nationalised undertaking. As the T.U.C. report states:—

The claim to a share in the control of industry rests primarily on the simple democratic right of workpeople to have a voice in the determination of their industrial destinies. It is supported by the knowledge that it is only by recognition of this claim that the potentialities, experience and good sense of the workers can be drawn upon and the full productive powers of industry be effectively realised.<sup>1</sup>

And it adds that in a publicly-owned industry the right of the workers to a say in determining policy is fundamental. The railways in this way would become a new industry, and one which any lad would be proud to enter.

## The Running of the Service.

Labour's proposal for the running of the nationally-owned system is that each section should be run by a public board, with a national transport authority to co-ordinate the whole. The boards would consist of technically competent men, including workers' representatives, and would be responsible to a Minister, so that their policy and administration would be open to Parliamentary question and debate. In order to avoid the representatives of workers' interests being placed in a difficult position through being responsible both to their union and to Parliament, it is proposed that these members should be selected by the Minister from a panel of nominations put forward by the T.U.C. in consultation with the unions concerned.

Secondly, in order to secure full workers' participation in the running of the industry, there should be, besides the representatives on the central board, a system of consultative councils at all levels—works, regional or sectional, and national—organised on the workers' side by the trade unions. On these, of course, the workers would be directly represented by persons appointed by themselves. These councils would be empowered to discuss, and to be consulted by managements on, all those aspects of the running of the industry—technical, administrative, financial and commercial—which do not come within the ordinary negotiating machinery. Managers must be individually responsible for the efficiency of their departments or sections, but the obligation to consult their workers must be no less binding. Further, it must be open to any worker to reach managerial positions and continuous technical education must be provided for this purpose.

Consultative councils, it is suggested, should also handle disciplinary matters. Wage negotiations should be kept entirely separate from the consultative machinery and should be handled as at present by the unions as such. The unions would also keep a general eye on the functioning of the consultative machinery and make representations to the Government if it is inadequate or perverted or ignored.

## Compensation.

It is agreed by the Labour movement, says the T.U.C. report, that " whether on grounds of equity or because of political expediency the policy of outright confiscation will not be adopted " and compensation will therefore be paid. But it will make a great deal of difference to how quickly improvements can be made how big that compensation has to be, and therefore the method of compensation must be one which :

would preclude any computation of worth based on the high profits of wartime operations and permits special consideration of that part of past earnings which has been due to monopoly or semi-monopoly activities, or any direct or indirect subsidy granted by the State.

<sup>1</sup> *Post-War Reconstruction*, p. 7.

The Labour movement in London, including many railwaymen, have bitter memories of the excessive compensation paid when the London Underground combine and other undertakings were formed into a new 'public corporation,' the L.P.T.B. Not only was the new board remote from popular pressure, without democratic control by the workers or the general public, but it was saddled from the beginning with the obligation to pay to its stockholders—the former shareholders in the private companies—a higher profit than they had previously been receiving under private ownership. The meeting of this heavy interest burden became the first consideration for the Board, responsible as it was to the stockholders, and wages, conditions, the level of fares and the quality of service were often no better, and in some respects worse, than under private enterprise pure and simple.

The amount of compensation should be based on a *reduction* rather than an increase of the pre-war revenue. If we take the average revenue of the last 5 full pre-war years (about £34½ million) as a first basis, we have to realise that this revenue was itself based on gross exploitation of the railwaymen as well as of the public. Compensation cannot therefore be justly based even on the Stock Exchange value of the capital (some £825 million) for this in turn derived from the revenue the investors expected.

It is not our province here to lay down how the "reasonable net maintainable revenue" which the Labour movement takes as the basis of compensation, should be arrived at. But if deductions are made for monopoly profit and especially low wages, as the T.U.C. suggests, the annual interest to be found should not be anything like £35 million.

Moreover, it is important to secure that whatever the result of the nation's bargain with the railway magnates (which will depend largely on the political conditions of the time) the compensation must be paid in general Government stock, and they must forfeit all right to interfere in the future working of the industry.

### *The Campaign for Nationalisation.*

It is now over 30 years since nationalisation first became the official policy of the old A.S.R.S. It is over 20 years since the Lloyd George Government failed to nationalise the railways after the last war. To-day the three railway unions are embarking on a united campaign for nationalisation, and that campaign will win far wider support than was won in 1921. To-day nationalisation has ceased to be an issue for the railwaymen alone and has become an urgent question for the whole nation.

The railwaymen are building up as strong a unity between their three unions as they had when they won recognition from the companies in 1919. The agreement on joint consultation which was signed in February, 1943, has already brought great benefits, and as it is extended into the districts and the depots it will enable the united railwaymen to throw the spotlight of publicity on their industry as it has already been thrown on the mines, and bring home to the public that without a nationalised transport service there will be no prosperous post-war Britain.

The Labour movement is well aware, however, that no Tory Government will carry through the nationalisation of transport, or even of the railways, however urgent the need. Such a measure will only be carried through by a Government led by Labour. Railwaymen will therefore play an even bigger part in the next election than they have played in all the past struggles of the Labour movement.

Organised railwaymen have a proud place in Labour's history. They were the first to call, in 1898, for independent Labour representation in Parliament; in the fight against the Taff Vale and Osborne judgments they were in the centre of the struggle for the freedom of the movement; they play a leading part to-day in Trades Councils and municipal councils up and down the country. Their long and loyal support for Labour and their own bitter experience ensure that in this next election they will do more than they have ever done before to secure the unity of all who want a better Britain, so that a Labour majority can be returned and a happier and fuller life for the people can begin.

## APPENDIX.

	NET REVENUE	AMOUNT PAID IN DIVIDEND AND INTEREST	NO. EMPLOYED WAGES BILL	
	£	£	£	
1921	46,009,394	48,408,258	735,870	
1922	53,364,862	51,973,763	676,802	
1923	51,228,636	50,000,296	681,778	
1924	47,178,436	50,067,436	700,573	
1925	44,771,081	49,324,331	702,062	
1926	26,548,137	41,959,515	689,264	
1927	49,333,123	46,448,395	683,077	
	(46,736,112)			
1928	45,187,548	44,873,928	677,148	117,997,000
1929	49,321,739	48,355,050	642,137	115,284,000
1930	42,007,256	43,749,671	656,530	114,536,000
1931	37,561,745	38,350,533	615,592	105,835,000
1932	30,397,187	31,938,735	597,971	99,847,000
	(27,194,301)	(28,840,481)		
1933	29,589,089	30,832,409	566,300	96,557,000
1934	32,254,896	33,113,722	575,048	98,385,000
1935	33,695,058	34,348,660	580,766	101,295,242
1936	36,527,499	36,439,402	585,611	104,012,591
1937	38,684,383	38,245,178	599,652	108,255,125
1938	29,757,554	29,946,795	607,278	
1939	36,932,450	36,841,081	588,517	
1940	38,607,469	37,914,880		
1941	39,763,265	38,795,095		
1942	40,136,742	39,648,873		
1943	40,280,218	39,808,027		
1944	40,372,674	39,805,777		

NOTES. (1) In 1928 the form of the railway accounts was changed, and the figures for net revenue before this date are not comparable with those from 1928 onwards. The net revenue for 1927 was however also calculated on the new basis, and this figure is included in brackets for comparison.

(2) In 1933 the L.P.T.B. was set up and some sections of the main lines were included in it. Net revenue and the amount paid in interest and dividend are therefore not comparable before and after 1933. It was however calculated what the net revenue and interest and dividend would have been in 1932 without the sections later handed over to the L.P.T.B., and these figures are also included in brackets.

(3) "Number employed" throughout means the total employed by railway companies, including the Railway Clearing House and staff employed by the L.P.T.B. in connection with their railways, but excluding the Manchester Ship Canal.

(4) Figures of the total wages bill were not published before 1928, and neither number employed nor wages bill has been published during the war.

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